SPEECH

OF

MR. Wm. C. RIVES, OF VIRGINIA,

ON THE

CURRENCY OF THE UNITED STATES,

AND THE

COLLECTION OF THE PUBLIC REVENUE.

Delivered in the Senate U. S. January 10, 1837

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SPEECH.

The following resolution was submitted by Mr. RIVES, as a substitute for the resolution of Mr. Ewing, of Ohio, proposing to rescind the Treasury order of July 11, 1836:

Resolved, That hereafter all sums of money accruing or becoming payable to the United States, whether from customs, public lands, taxes, debts, or otherwise, shall be collected and paid only in the legal currency of the United States, or in the notes of banks which are payable and paid on demand in the said legal currency, under the following restrictions and conditions in regard to such notes: that is, from and after the passage of this resolution, the notes of no bank which shall issue bills or notes of a less denomination than five dollars, shall be received in payment of the public dues; from and after the first day of July, 1839, the notes of no bank which shall issue bills or notes of a less denomination than ten dollars, shall be receivable; and from and after the first of July, 1841, the like prohibition shall be extended to the notes of all banks issuing bills or notes of a less denomination than twenty dollars: *Provided, however*, That no notes shall be taken, in payment by the collectors or receivers, which the banks in which they are to be deposited shall not, under the supervision and control of the Secretary of the Treasury, agree to pass to the credit of the United States as cash.

The question being on the adoption of his substitute—

Mr. RIVES said, that in asking the indulgence of the Senate, it was not his design to abuse their patience by rearguing the questions which had already been so fully and so ably discussed, in relation to the legality or the policy of the Treasury Circular. It was his wish only to state, somewhat more at large than he had yet had an opportunity of doing, the views under the influence of which he had offered the proposition which is now pending before the Senate as an amendment to the resolution of the Senator from Ohio, (Mr. Ewing.) In reference to the most important objects of the Treasury Circular, he regarded that measure as having done its office; and the interests of the country are now much more concerned in the provision we shall make for the future, than in any decision we may pronounce upon the past. When I had the honor, some days ago, said Mr. R., of addressing a few remarks to the Senate on this subject, I said what I take great pleasure now in repeating, that in whatever different lights the operation of the Treasury Circular may have been viewed, of one thing I was thoroughly persuaded—that the motives which had induced the high functionary at the head of the Government to direct the issuing of it, were in perfect consonance with that elevated and patriotic spirit which had so conspicuously marked the whole course of his public life; and that no defect of legality, in my estimation, had been shown in the authority under which it was issued. I added, also, that the measure was properly to be viewed as a temporary one, to continue in operation until the action of Congress on the whole subject could be obtained; and that the President himself, as shown by the evidence of his message at the commencement of the session, attached no importance to its adoption as a permanent rule of policy.

One of the leading objects of the Treasury Circular, at the time it was issued, was to check that tendency to extravagant bank issues and bank credits, which has so signally marked the history of the last twelve or eighteen months. But, so far as that object is concerned, the same effect will now be produced in a manner not less certain, though by a process more gradual, and therefore easier and safer to the community, by the operation of the deposite act. No one can doubt, Mr. President, that one of the chief causes of the recent over-action of the banking system in this country, is to be found in the immense sums of public moneys left in the deposite banks, and which have been used and traded upon by them, as an addition of so much to their banking capitals. This is a state of things which has been eminently pernicious in all its bearings. The correction of so great an evil formed in my mind one of the strongest considerations for giving the cordial support I did to the deposite act of the last session; a measure which, however much misconceived or misrepresented in regard to its true character, has, in my opinion, conferred upon the country a double benefaction of the highest value: first, in putting out of the way of the Government the temptation, whose powerful influence we were already beginning to feel, to useless, extravagant, and anti-republican expenditure; and, secondly, in taking from the deposite banks that gratuitous and artificial increment of their capitals, which has been a main cause of the unnatural distension of our paper currency, and of that inordinate spirit of speculation, which has prevailed through the country. In gradually withdrawing, as we are now doing by the act of the last session, these large amounts of the public treasure from the possession of the deposite banks, and in avoiding, as, I trust, by a wise and provident legislation, we shall do, the accumulation of any idle surplus in future, the Government will take away the stimulus which itself has given to the excessive issues and credits of the banks; and we may then hope that, under the salutary control of the laws of trade, they will return within those safe, proper, and natural limits, which the business of the community requires.

While on this branch of the subject, Mr. President, I will make one other observation. However necessary or desirable the contraction of our paper circulation may be, (if it be, indeed, in the large excess which is supposed by many,) it must be borne in mind that there is no operation more delicate than the reduction of the currency of a country. A decreasing circulating medium, it is agreed alike by theoretical writers and by enlightened practical men, is precisely that condition in the moneyed affairs of a community which is the most critical and distressing. It is a transition from high to low prices, from a certain and liberal reward of labor to diminished wages and precarious employment, from active and prospering industry to general langour and depression in all the operations of business. It is a change to which society always adjusts itself slowly and painfully; and, under the most favorable circumstances, must be attended with distress—often with extensive ruin. Great caution, therefore, is necessary, lest it be unduly precipitated in its progress, or harshly aggravated in its effects. We have, in the history of our own country, at a period not too remote for the recollection of most of us, a memorable example of the distressing effects of a rapid reduction of the circulating medium. It is strikingly exhibited in all its details in the able report of Mr. Crawford, then Secretary of the Treasury, on the currency, in 1820. It is there shown that the circulation of the country, in the three years from 1816 to 1819, had been brought down from 110 millions in the former, to 45 millions in the latter; making the enormous reduction of 65 millions within that short period! The scene of wide-spread ruin and distress, which ensued, is fresh in the memories of all who witnessed it. It inculcates, at least, the necessity of caution in the action of the Government, on this subject. It is our duty to withdraw from the banking operations of the country that artificial stimulant which the Government itself has administered; but that being done, a just policy, in general, requires that the concerns of trade should be left to regulate themselves by their own natural and remedial laws.

Regarding, then, the Treasury Circular as having mainly done its office, we are now called upon to establish some permanent and equal rule for the collection of the public revenues. It is a duty which we cannot evade, if we would. In the joint power which the constitution invests in Congress, to "lay and collect" taxes, our duty is read to us in terms too significant to be mistaken. It is as much a part of the legislative authority to say in what manner and by what rule the *collection* of the public revenue shall be effected, as to say to what amount and from what sources it shall be *raised*. Important as such a regulation is at all times, it derives, at the present moment, a particular interest, from its close connexion with the subject of the *currency*. It is in that connexion, that all who have participated in this debate have discussed the question before the Senate; and it is, doubtless, in that connexion that the public attention is turned with most anxiety to our decision upon it. I feel, Mr. President, all the magnitude and all the difficulty of this great question of the currency. There is none that rises higher in importance, or descends more deeply into the interests of society. It "comes home to the business and the bosoms of men." It affects alike the humblest laborer and the wealthiest capitalist; on it depend the security of property, the stability of contracts, the comfort and support of families, and, I will add, in a great degree, the public morals; for nothing, in my opinion, is more calculated to unsettle the moral sense and habits of a community than the dispositions and pursuits fostered by the lottery of a fluctuating currency. In approaching such a subject, I feel all the diffidence which a just sense of its difficulty and importance properly inspires. But having submitted to the Senate a proposition which, if adopted, would, I flatter myself, exert no small influence on this great interest; and as the friends of the administration (myself among the number) have been accused of entertaining visionary, impracticable, and pernicious notions, in regard to a reform of the currency, I must beg the indulgence of the Senate while I state, with as much precision as I may, the views of that reform, which I entertain, and which have determined the shape of the proposition now under their consideration.

In discussing the question of a reform of the currency, it is necessary to settle our ideas clearly as to two things: first, the nature and extent of the end to be aimed at; secondly, the means by which it is to be attained. If I am asked, what is the end I propose—whether I am in favor of a specie circulation exclusively, and the total suppression of bank paper, I answer, no. Even if such an object were desirable, it is plainly impracticable. In the present state of commercial progress and refinement throughout the world, it would, probably, be impracticable any where; but in this country, and under our system of government especially, it is obviously wholly unattainable. Whether right or wrong, we find twenty-six independent State Legislatures possessed of the power to create banking corporations. Whatever speculative doubts may exist in the minds of some as to the constitutional validity of this power, the States now actually possess and exercise it, as they have invariably done from the foundation of the Government, and there is not the slightest probability that they will ever be divested of it. In every sober and practical scheme of policy, we must proceed upon the assumption that this independent State power will remain. How, then, can the banking system be suppressed by this Government?

Such a notion, if entertained any where, would indeed be Utopian and visionary.

My object, then, would be, not the destruction of the banking system and the total suppression of bank paper, but an efficient regulation of it, and its restriction to safe and proper limits; not the exclusive use of specie as a circulating medium, but such a substantial enlargement and general diffusion of it, in actual circulation, as would make it the practical currency of common life, the universal medium of ordinary transactions—in short, the money of the farmer, the mechanic, the laborer, and the tradesman; while the merchant should be left in the enjoyment of the facilities of a sound and restricted paper currency for his larger operations. Such a reformation in the currency as this, would, in my opinion, be productive of the most beneficial results. It would give security to the industrious classes of society for the products of their labor, against the casualties incident to the paper system. The laborer, in returning to the bosom of his family from his weekly toil, would no longer find his slumbers broken by the apprehension that the hard earnings of the week, perhaps the accumulation of long years of honest industry, might be dissipated, in a moment, by the explosion of a bank, or the bursting of some paper bubble. It would give security, to a great extent, to the whole body of the community, against those disastrous fluctuations in the value of property and contracts, which arise from the ebbs and flows of an unrestricted paper currency. It would give security to the banks themselves, by providing them, in the daily internal circulation of the country, an abundant and accessible fund for recruiting their resources, whenever they should be exposed to an extraordinary pressure.

This, sir, is the happy state of things we might promise ourselves from replacing (as it is the aim of the proposition which I have had the honor to submit, to do) all bank bills under the denominationof twenty dollars with a solid circulation of gold and silver. Is there any thing wild, any thing visionary, any thing pernicious, in such a system of currency as this? It has the sanction, Mr. President, of the profoundest writers on questions of political economy, and has received the practical assent of the wisest nations. I am well aware that it would ill become me to present for the consideration of the Senate any scheme which was not thus tested and approved. Of all the writers who have treated and examined questions of this character, none possess so high an authority as the author of the "Wealth of Nations." It has been well and justly said, that Adam Smith had done for the science of political economy what Bacon and Newton had done for physical science, and Sydney and Locke for the science of government, and the fundamental principles of civil and political liberty. His work, appearing contemporaneously with the American revolution, was deeply imbued with the free spirit, and the large and vigorous thought, which so remarkably distinguished that great era. He came forth as the zealous and powerful champion of free trade, the inflexible opponent of monopoly and restriction in all their multiplied forms, the ardent advocate of every thing that is liberal, generous, and popular, in the institutions of society and the intercourse of nations. No work has ever exercised so large an influence for good on the policy and destiny of nations, and none, I am sure, considering the stamp of liberty as well as wisdom impressed upon it, is better entitled to the respect of an assembly of American legislators. Adam Smith, by a strange mistake, has been held up, rather opprobriously, as the advocate of a paper system—as the founder, in fact, of the paper school! Sir, there can be no greater mistake than this. While he recognised the utility of a judicious system of banking, in liberating and putting into productive employment capital which would otherwise remain dead and inactive, and the facilities it is calculated to afford to commerce, he yet insists that the general circulation of the country should be of gold and silver.

As the general principles he has laid down on the subjects of banking and currency continue still to be appealed to by the enlightened writers who have followed him, as affording the soundest exposition of those subjects, whatever modifications of subordinate points may have been made by subsequent inquirers, I will give to the Senate, and principally in the words of Adam Smith himself, an outline of his system of currency. After speaking of the advantages to be expected from a judicious and properly conducted system of banking, he says expressly, that "the commerce and industry of a country are not so secure when suspended, as it were, on the Dædalian wings of paper money, as when they travel about on the *solid ground of gold and silver*." He says, therefore, it is the policy of wise Governments "to guard, not only against that excessive multiplication of paper money which ruins the very banks which issue it, but even against that multiplication of it which enables them to fill the *greater part of the circulation* of the country with it." He then proceeds to show that "the circulation of every country may be considered as divided into two different branches: the circulation of the dealers with one another, and the circulation between the dealers and consumers." His next position is, "that paper money may be so regulated as either to confine itself very much to the circulation between the different dealers, or to extend itself likewise to a great part of that between the dealers and consumers." This regulation is effected by fixing the denomination of the notes permitted to be issued. "It were better," he adds, "that no bank notes were issued in any part of the kingdom for a *smaller sum than five pounds*. Paper money would then confine itself to the circulation between the different dealers;" and where this is the case, he says, "there is always *plenty of gold and silver*." "But where it extends itself to a considerable part of the circulation between dealers and consumers, it *banishes* gold and silver almost entirely from the country." The system of Adam Smith, then, resolves itself into this: that the circulation between *dealer and dealer* may be of paper, but that the circulation between *dealer and consumer* should be of the precious metals; that this result ought to be secured by prohibiting the issue of bank notes for a less sum than five pounds, and that if such a restriction be adopted, there "will always be plenty of gold and silver" in circulation, performing all the offices of exchange in the "ordinary transactions" of society, while the use of paper would be confined to commercial operations of a larger scale. Instead of being the advocate, far less the founder, of an unrestricted paper system, he urges the necessity of confining it to commercial accommodation in the larger transactions between dealer and dealer. He is in favor of the suppression of all bank notes under five pounds; whereby gold and silver will fill the ordinary channels of circulation, and become, in fact, the common practical currency of the country.

But this system does not rest on the authority of Adam Smith alone. Not to mention the illustrious names or the policy of other enlightened nations in support of it, it has received the successive sanction of a long line of the ablest practical statesmen in England. It is a remarkable fact, that the great work of Adam Smith having appeared in 1776, the Parliament of Great Britain, in the very next year, passed a law prohibiting all bankers from issuing notes under the denomination of five pounds. This continued to be the legislative policy of that country till the memorable year of 1797, when, in consequence of the exigencies and embarrassments of that tremendous conflict, growing out of the French revolution, which desolated and convulsed Europe for more than twenty years, the Bank of England, with the sanction of the Government, suspended specie payments, and, at the same time, resorted to an issue of one-pound and two-pound notes. As soon, however, as the war was at an end, and the country was in a situation to admit of the resumption of specie payments by the bank, the enlightened statesmen of England recurred to the prohibition of all notes under the denomination of five pounds. This return to a sound policy, however, was not accomplished, nor has it been maintained, without encountering a strenuous and persevering opposition.

There is something so instructive in the history of this reform of the currency in England, that it deserves to be traced somewhat more in detail. In 1819, a law was passed directing a complete resumption of specie payments by the bank in three years, to wit, in 1822; and at the same time, it was enacted that in two years after, to wit, in 1824, all small notes under the denomination of five pounds should be prohibited. The first provision was carried fully into effect at the designated period; but, such was the influence of the country bankers, and other associated interests, that, before the appointed time for the suppression of the small notes arrived, the latter provision was repealed, and the final suppression of the small notes was adjourned to 1833, the year of the expiration of the charter of the Bank of England. But the great commercial convulsion of 1825, which swept banks, merchants, farmers, every thing before it, with the destructive fury of a tornado, soon after occurred, and forcibly admonished British statesmen of the necessity of seeking a remedy—in part, at least—in a more solid constitution of their currency. Accordingly, in the beginning of 1826, Lord Liverpool and Mr. Robinson, the one the First Lord of the Treasury, the other the Chancellor of the Exchequer, introduced and carried a bill providing for the prohibition, after April, 1829, of all small notes under the denomination of five pounds. This law was stoutly and zealously opposed at the time of its enactment, and repeated attempts were subsequently made to procure its repeal, before the period fixed for its operation. But these efforts were happily unavailing; and the doctrine of Adam Smith, in regard to the prohibition of all notes under the denomination of five pounds, re-established in 1829, after experiencing the bitter fruits of a temporary departure from it, may now be considered as the final and settled policy of the British Government. It has received the sanction and support of her ablest statesmen—of Liverpool, of Peel, of Canning, of Huskisson, of Brougham, of Wellington; all of whom, upon the fullest experience and consideration, have, from time to time, borne their testimony to the value and importance of this essential restriction upon a paper circulation.

And what has been the result in practice? Why, to give to the people of England virtually a *metallic* currency; for gold and silver form there the daily habitual medium of all ordinary transactions. A bank note, except on special occasions, is a sort of phenomenon. On this point we have precise information. It appears, from statistical returns referred to by the

Chancellor of the Exchequer in the House of Commons, a few years ago, that the amount of gold then in circulation was £22,000,000, (twenty two millions of pounds sterling,) and of silver £8,000,000, (eight millions of pounds sterling.) I do not speak of gold and silver locked up in the vaults of banks; but of that which passes daily from hand to hand, in the ordinary transactions of business. Mr. Gallatin, in his instructive pamphlet on the currency, published in 1830, states the metallic circulation of England at precisely the same amount. Allowing nothing for any augmentation since, the people of England have, then, an actual circulating medium of gold and silver to the amount of about one hundred and fifty millions of dollars. The Secretary of the Treasury, (who, doubtless, has access to the most authentic sources of information on the subject,) in his annual report at the commencement of the session, states the whole paper circulation of England, at this time, at one hundred and fifty-two millions of dollars. We may, therefore, conclude that what Mr. Gallatin says, in the pamphlet just referred to, is substantially correct—that, "by the suppression of all notes of a less denomination than £5 sterling, the amount of the circulating metallic currency in England has become equal to that of bank notes of every description." One-half of the entire circulation consists of gold and silver, constantly passing from hand to hand, and performing all the offices of exchange in the ordinary business of life, and thus forming, in fact, the practical currency of the country. It is this large infusion of the precious metals which has preserved the currency of England, in the main, in a healthy condition, under a system of banking which her Prime Minister himself (Lord Liverpool,) in 1826 pronounced to be, in other respects, "the most insecure, the most rotten, the very worst, which it is possible to conceive." Much has been said recently, I know, Mr. President, of great commercial embarrassments in England, which are attributed by many to a deranged state of her currency. These embarrassments, in my opinion, are viewed in much too serious a light; but, if they were not, it must be borne in mind that all commercial countries, however solid the constitution of their currency, will occasionally be visited by revulsions in trade. If, too, they are to be considered as indicating a derangement in the currency of England, the source of that derangement is to be found in those defects of her system of banking which were referred to by Lord Liverpool as making it so insecure and precarious, and not, surely, in that salutary check, the prohibition of small notes. On the contrary, the abundance of gold and silver which that restriction secures in the common circulation of the country is the great preservative of the system, and the anchor which enables it to ride in safety amid fluctuations and tempests that might otherwise overwhelm or subvert it.

It is this abundant supply of the precious metals, filling and saturating the ordinary channels of circulation, which I desire to see brought about in our own country. That is the *end* to be aimed at. What are the *means* by which it is to be accomplished? We have seen that in England it has been accomplished by the prohibition of all bank notes of a less denomination than £5. Similar means will, doubtless, accomplish the same end here; and, I must add, *nothing else will.* It is in vain to expect to bring gold and silver coins into circulation, without a previous suppression of all notes of corresponding denominations. The reason is obvious. If there exist in any country two distinct currencies, both of them answering equally well the purposes of domestic circulation, but one of them possessing only a local value, confined to the country of its emission, while the other has a universal and equal value throughout the world, the latter will necessarily go abroad into the commerce of the world, in quest of the riches and productions of foreign nations, leaving the former at home to perform an office which it does equally as well, though it would be wholly without use or value abroad. The total incompatibility, therefore, of a paper and metallic currency of the same denominations has grown into an axiom. Edmund Burke, (whose sagacity in questions of this sort is well known,) at the memorable period of the bill brought forward by Mr. Pitt for the suspension of specie payments by the Bank of England, in 1797, in a letter, written during his last illness, to Mr. Canning, which the latter gentleman brought most touchingly to the notice of the House of Commons, in a debate of great interest and instruction on this whole subject, at a much more recent period, (1826,) used these memorable words: "Tell Mr. Pitt that, if he consents to the issue of one-pound notes, he will never see a guinea again." The prophecy, sir, became history. No one saw a guinea in circulation in England while the bank continued the issue of one-pound notes.

In 1828, when a great struggle again took place in the British Parliament, on the final consummation of the effort to restore a metallic currency, there was not a single distinguished man who did not bear his testimony to the truth of Mr. Burke's axiom. The Chancellor of the Exchequer said, on that occasion, "there was a natural *antipathy* between the one-pound note and the sovereign. They would not exist together, for the note soon drove the sovereign out of circulation." The Duke of Wellington, who was eminently a practical man, and spoke from the teachings of experience, said, "the *experience* of the last few years had proved the truth of the theory, that one pound notes and gold sovereigns would not circulate at the same time. If you are to have gold in circulation, you cannot have one-pound notes." Mr. Huskisson, whose familiarity with questions of this sort was the result of profound studies, as well as matured experience, said, still more pointedly, "when the paper is let in, the gold will disappear. They might vote the money; they might coin it; but how could they retain it in the country?" This remark applies most forcibly to our present situation. We have *voted* the metallic money; we have *coined* it; but it will not circulate. Since we corrected, by law, the undervaluation of the gold coins, (but little more than two years ago,) the quantity of gold in the country, according to the late annual report of the Secretary of the Treasury, has increased fifteen millions. We have coined at our own mint, within that time, according to the same authority, ten millions of gold. But where is it? In the vaults of the banks, or hoarded by individuals! and we shall never see it in circulation, until we have opened the way for it by a previous suppression of the small notes. If we mean to do any thing practical and effectual for introducing a more general circulation of specie, we must begin at the right end, by first putting down the small note circulation.

This is the true policy of the Government, and is that *practical reform* of the currency which has been steadily held in view by the present administration and its friends. The honorable Senator from Massachusetts (Mr. Webster) discovered great solicitude to know what is to be the system of policy of the new administration upon this subject. I have no means of knowing, Mr. President, which that gentleman does not equally possess. It is generally supposed, however, that the coming administration will, in the main, conform its policy to the exemplar of the present. The inquiry of the honorable gentleman, then, may be satisfied, by showing him what has been the policy of the present administration; and that cannot be better stated than in the words of our venerable and patriotic Chief Magistrate himself. I beg the indulgence of the Senate while I read a very unequivocal and explicit passage on this subject in the President's message of the last year. In that document, he says:

"It has been seen that, without the agency of a great moneyed monopoly, the revenue can be collected, and conveniently and safely applied to all the purposes of the public expenditure. It is also ascertained that, instead of being necessarily made to promote the evils of an unchecked paper system, the management of the revenue can be made auxiliary to the reform which the Legislatures of several of the States have already commenced in regard to the suppression of small bills, and *which has only to be fostered by proper regulations on the part of Congress to secure a practical return, to the extent required for the security of the currency, to the constitutional medium.* Severed from the Government as political engines, and not susceptible of dangerous extension and combination, the State banks will not be tempted, nor will they have the power which we have seen exercised, to divert the public funds from the legitimate purposes of the Government. The collection and custody of the revenue being, on the contrary, a source of credit to them, will increase the security which the States provide for a faithful execution of their trusts, by multiplying the *scrutinies* to which their operations and accounts will be subjected. Thus disposed, as well from interest as the obligations of their charters, it cannot be doubted that such conditions as Congress may see fit to adopt respecting the deposites in these institutions, with a view to the *gradual disuse of the small bills*, will be cheerfully complied with; and that we shall soon gain, in place of the Bank of the United States, a *practical reform* in the whole paper system of the country. If, by this policy, we can ultimately witness the suppression of all bank bills *below twenty dollars*, it is apparent that gold and silver will take their place, and become the principal circulating medium in the common business of the farmers and mechanics of the country. The attainment of such a result will form an era in the history of our country, which will be dwelt upon with delight by every true friend of its liberty and independence. It will lighten the great tax which our paper system has so long collected from the earnings of labor, and do more to revive and perpetuate those habits of economy and simplicity which are so congenial to the character of republicans, than all the legislation which has yet been attempted."

Here we have a complete delineation of the policy of the administration on this great question of the currency. Neither the President, nor the body of his friends, have proposed a total suppression of bank paper, or an exclusive metallic currency; but, to use his own words, they have desired to see "a *practical reform* in the banking system, by the ultimate suppression of all bank bills below *twenty dollars;* so that gold and silver might take their place, and become the *principal* circulating medium in the *common* business of the farmers and mechanics of the country." This, he expressly declares, would be "a practical return, *to the extent required for the security of the currency*, to the constitutional medium;" and the attainment of which, he adds, "will form an era in the history of our country, which will be dwelt upon with delight by every true friend of its liberty and independence." There is nothing in the Treasury Circular inconsistent with this interpretation of the policy of the administration. That measure, as I have already said, was an occasional and temporary act, resorted to under a peculiar emergency, till the power of Congress could be interposed to apply a more systematic remedy, and cannot be considered as a departure from a settled and general line of policy. On the contrary, the President, in his message at the commencement of the present session, expressly recurs to the suppression of the lower denominations of bank notes, by the concurrent legislation of the General and State Governments, as forming "the true policy of the country," by which only "a larger portion of the precious metals can be infused into our circulating medium." No other plan can be effectual for the accomplishment of such a result; and, until it shall be adopted, all that may be said, however glowing and fascinating, of the advantages of a *metallic* circulation, will prove but barren theory, and delusive and unprofitable generality. You may bring gold and silver into the country, and pile them mountains high in your banks; but, without the suppression of the small notes, they will never circulate in the business of society, and will always be exposed to be drawn off by the absorbing currents of foreign trade. The object of a rational policy is, to bring them into daily and active use, invigorating and sustaining the pursuits of industry, and not to have them, like the ancient household relics described by the poet, "wisely kept for show."

The question, then, is, by what means in our power this great object of the suppression of the small notes may be promoted or accomplished. It is through the collection and management of the public revenue only, that the agency of this Government can, at present, be usefully interposed. By refusing to receive, in payment of the public dues, the notes of all banks which shall issue bills of the lower denominations, as is proposed by the resolution I have had the honor to submit, a strong inducement of interest will be held out to the leading State banks to discontinue their smaller issues. The consideration of the credit and more general currency given to their paper, by a receivability in payment of the revenue, would, doubtless, induce more or less of them to conform to the standard which shall be established in this respect by the legislation of Congress. But my reliance is not so much upon the operation of this measure *per se*, as upon the moral influence it is calculated to exert upon the policy of the States. They have the complete power to prohibit, by law, the emission and circulation of the smaller notes; and I cannot doubt, if this Government shall hold up to them a standard deemed indispensable to the purification and reform of the currency, that that power will, in process of time, be exerted so as to second and render effectual the policy of our legislation here. Have we not every encouragement, in what has already taken place, to hope for such a result? It is only a few years ago that but three of the States, according to Mr. Gallatin, (Pennsylvania, Maryland, and Virginia,) had prohibited the issue of notes under five dollars. But, since that time, it has been the policy of the General Government, in the collection and management of the public revenues, to discountenance bank notes under that denomination. And what has been the result? We have seen the States, one by one, successively conforming to the example, till now a majority of them have prohibited all bank notes under the denomination of five dollars. The confidence I feel in the enlightened patriotism of the State Governments, and in the popular intelligence and virtue which control them, gives me every assurance that an appeal to their co-operation in so great and noble a work will not be in vain, especially when they shall have before them a sober and practical exhibition of the probable results of the policy in which their concurrence is invited.

Let us then inquire what is likely to be the *extent* of the effect which will be produced on the currency by the successive prohibition of all notes under five, ten, and twenty dollars, respectively. Mr. Gallatin, whose skill in questions of this sort is universally admitted, in his able pamphlet on the currency, written in 1830, estimated the reduction in the amount of the paper circulation which would arise, at that time from the suppression of all notes under five dollars, at *six millions;* and that likely to be produced by a suppression of the notes under ten dollars, at about *seven mil-*

lions; making an aggregate of *thirteen millions* of dollars, and equal to one-fifth of the whole paper circulation of the country. Another highly respectable authority on American banking, (Gouge,) estimates, in 1831, the amount of notes under five dollars then in circulation at *seven millions;* and of notes under ten dollars, at *ten millions;* making an aggregate of *seventeen* millions. But let us take Mr. Gallatin's estimate, and suppose that the suppression of the notes under five and ten dollars would, together, operate a reduction of one-fifth in the whole amount of bank paper in circulation. Let us then suppose, (which, I presume, would not be extravagant,) that the suppression of all notes under twenty dollars, and above ten, would produce, in amount, a diminution of one-fifth more of the paper circulation. By the ultimate suppression of all notes under twenty dollars, we should then gain an aggregate reduction of two-fifths in the whole paper circulation of the country. According to the recent report of the Secretary of the Treasury, the whole paper circulation of the country amounts at this time to 120 millions, two-fifths of which would be 48 millions of dollars. But, in order to be within sure limits, we will suppose that the amount of bank paper which would be withdrawn from circulation by the suppression of all notes under twenty dollars, would be only 40 millions. That, of course, would be replaced by an equal amount of gold and silver. How, then, would stand the account in the final result? Forty millions, taken from the 120 millions of paper circulation, would leave 80 *millions of paper;* and added to the 28 millions of gold and silver already in circulation, according to the estimate of the Secretary of the Treasury, would give us 68 millions; or, (for the sake of round numbers, and to compensate liberal deductions made above,) 70 *millions of gold and silver in active circulation*—not dammed up and stagnating in the coffers of the banks, but spread over the land, irrigating, refreshing, and fertilizing the whole country.

Such, Mr. President, would be the solid and practical result of the ultimate suppression of all bank bills under the denomination of twenty dollars. It would give to the country nearly one half of its whole circulation in the precious metals, forming a solid and unfailing fund for the payment of labor, for the buying and selling of the necessaries of life, for the great mass of daily transactions, including the wants and interests of the farmer, the mechanic, and the tradesman; while the other half would consist of an improved paper currency for the use and accommodation of the merchant, and for the larger operations of trade and business. I would ask gentlemen if such a result is not "a consummation devoutly to be wished?" Would it not, in the glowing and patriotic language of the President, form "an era in the history of the country which would be dwelt upon with delight by every true friend of its liberty and independence?" And can we suppose that the enlightened Legislatures of the States, in the view of such a result, pregnant with consequences so important to the safety, the prosperity, and the morals of the whole community, and especially to the interests of those numerous and industrious classes which form the basis and support of our republican system, could be so deaf to the united call of patriotism and wisdom, as not to lend their co-operation in so great and salutary a reform? For myself, Mr. President, I feel a cheering confidence that they will give a helping and efficient hand to this great work. The Legislature of my own State is now engaged in revising her banking system, and I console myself in the belief that she will be among the foremost to vindicate the wisdom and patriotism of the State councils from distrust, by heartily seconding, in her legislation on the subject, our efforts here to establish a sound currency for the country.

But, sir, till by the suppression of the small notes the circulation of the country has become better filled with the precious metals, I do not think it would consist with a just, wise, and paternal policy on the part of the Government to exact payment of its dues in specie exclusively. It could not be done, without great hardship to the public debtor, and extensive distress and embarrassment to the whole community. To demonstrate this, nothing more is necessary than to compare the amount of specie in circulation with the amount of the revenue; for it is conceded now, that if payment of one branch of the revenue be required by any *permanent* regulation to be made in specie, all ought to be paid in specie. According to the estimate of the Secretary of the Treasury, (which appears to me a very liberal one,) the whole amount of specie in circulation does not exceed twenty-eight millions of dollars. The revenue during the last year amounted to forty-seven millions; and perhaps, with all our efforts to reduce it, it may still not fall short of thirty millions. There would then be thirty millions of dollars to be paid to the Government, out of a circulation of twenty-eight millions! To confront the two sums is to show the temerity, if not the impossibility, of the attempt. If the public debtors should be thrown upon the banks for large amounts of specie, not to be had from the circulation of the country, no one can be at a loss to perceive to what a disastrous extent the business relations and pecuniary concerns of the whole community would be embarrassed and deranged. And how much of specie, permit me to ask, would remain for that immense mass of payments in private transactions, which, according to a practical estimate made by Mr. Gallatin, in reference to the revenue collected, and the business done, in the city of New York, exceeds *more than fifty times* the payments to the Government? Nothing, therefore, can be clearer than that an attempt, with our present limited metallic circulation, to collect the public revenue in specie alone, would be distressing to the last degree, and could not abide the test of that public judgment, without whose approbation no system of policy can or ought to stand.

The honorable Senator from Missouri, (Mr. Benton,) in the able speech made by him in the opening of this discussion—a speech which does him great credit, not only for the extent and variety of the research displayed by him, but for the force and ability with which he illustrated his own views, (in some of which it is my misfortune to differ from him)—brought to the notice of the Senate, from the evidence taken before the Committee of Secrecy of the House of Commons on the Bank of England charter in 1832, the case of a banker at Manchester, who paid out, in the course of the year, about six millions of dollars in specie to the operatives of that place. But this was done in a country which, as I have already shown, possesses an actual circulating metallic currency of one hundred and fifty millions of dollars, whereas our metallic circulation is but twenty-eight millions! The examination of Mr. Samuel Jones Lloyd (the banker referred to) on this point, is so instructive in itself, and so strikingly illustrative of the arguments I have advanced, that I beg leave to read the whole of that portion of it to the Senate, in the form of question and answer in which it is reported:

"*Question.* You are aware that a great amount of specie is required every week for the payment of wages at Manchester?

Answer. A very large amount.

Question. Can you give the committee any idea of the amount?

Answer. No, I cannot; but so far as regards the issue of our own house, I should say that upon the average we pay about 25,000 sovereigns a week.

Question. Is that a fresh supply of sovereigns in each week, or do you obtain it from the *circulation of the place?*

Answer. We require a continual fresh supply, but not to that extent. I think the fresh supply requisite will average something less than 10,000 a week.

Question. Before the abolition of the £1 notes, were those payments generally made in £1 notes?

Answer. Entirely.

Question. Was the amount then about the same?

Answer. Quite as large.

Question. You say that about 25,000 a week is what you are called upon altogether to pay, and that *about* 15,000 *come back into your hands?* What do you apprehend becomes of the remaining 10,000 sovereigns?

Answer. When the £1 notes were in circulation, we could trace it pretty accurately, and I believe the course to be the same with the sovereigns; they are paid principally in wages. The work people lay them out in clothing and provisions, and those sovereigns pass to the provision dealers; and thence into the districts from which the provisions are supplied; the sovereigns then pass into the hands of the country bankers in those districts, *who either send up to London, or return them to Manchester*, as may be most convenient to them.

Question. It does not follow, then, because you are obliged to have 10,000 sovereigns from the branch bank, (that is, branch of the Bank of England) that the amount of the circulation in Manchester is continually increasing at the rate of 10,000 a week?

Answer. No, I do not apprehend it is increasing at all."

Now, sir, let us see how these large payments in specie, in Manchester, are made. Mr. Lloyd says expressly, that, of the 25,000 sovereigns a week paid out by him, 15,000 of them are obtained from *the circulation of the place*, as, through that channel, they regularly *come back into his hands;* that he requires a fresh supply of about 10,000 sovereigns a week, from the bank; but these ten thousand sovereigns are also constantly returning to the bank from the *circulation* of the country. They are first paid by the work people to the provision dealers; then, by the provision dealers to the farmers, of whom they procure their supplies; from the farmers they pass into the hands of the country bankers, who either return them to the branch bank at Manchester, or, what is the same thing in effect, send them up to the parent bank at London. Thus, the whole amount of these specie payments is supplied by the actual circulating medium of the country—a thing easy and convenient enough, and perfectly natural, where the amount of gold and silver in daily and active circulation is 150,000,000 of dollars. To make large payments in specie, under such circumstances, is attended with no difficulty, because specie is the common and habitual currency of the country. The metallic circulation of England is a perpetual fountain, fed by the streams which flow from, and are constantly returning into, it. But to make payments in specie, to the Government *alone*, of thirty or twenty millions of dollars, or the half or the fourth of those sums, in a country whose circulation consists of 120,000,000 of paper, and of but 28,000,000 of gold and silver, is a far different operation.

Another most important lesson is to be derived from the evidence of Mr. Lloyd. How were these payments for wages made in Manchester previous to the prohibition of the small notes? In *sovereigns?* In *gold or silver?* Let us turn to the examination of Mr. Lloyd.

"*Question.* Before the abolition of the £1 notes, were those payments generally made in £1 notes?

Answer. Entirely.

Question. Was the amount then about the same?

Answer. Quite as large."

Previous to the suppression of the small notes, then, the whole amount of payments now made in gold, were made exclusively in one-pound notes; and, but for that suppression, would still be made in one-pound notes. While the one-pound notes were in circulation, these payments could not be made in gold, because gold was not in circulation. Gold was, doubtless, in the country, accumulated in the vaults of banks; but not being in circulation, there was no common and accessible fund from which it could be readily and conveniently obtained for the business of life. It never will be in circulation until bank notes of the smaller denominations have been first suppressed. It is in vain for the Government to attempt to bring it into circulation by demanding it in payment of the public dues. By doing so, the public debtor may be subjected to hardship, the banks may be exposed to runs upon them for specie, and the business of the community may be crippled and deranged. But gold and silver will never *circulate* while bank notes of the same denomination are permitted to occupy the channels of circulation. "You may call spirits from the vasty deep, but will they come?"

The requisition of specie in payments to the Government will not only not avail to bring gold and silver into *circulation*, but, if insisted on, while gold and silver yet form, comparatively, but a small part of the actual currency of the country, it will inevitably have the effect of diminishing their circulation. While bank paper forms the great mass of the currency of the country, if the Government refuse to receive it in payment of the public dues, and demand specie exclusively, the necessary consequence will be to enhance, to a greater or less extent, the value of gold and silver in relation to paper. That being the case, gold and silver will no longer *circulate* freely. Those who have specie will be unwilling to part with it, except at a premium; and those who have notes will be anxious to convert them into specie. *Hoarding* of the precious metals will then commence, and but little of them be seen in circulation. No one, I presume, Mr. President, attaches much importance to the collection of the public revenue in specie, as an *ultimate* object, if it can be made equally safe by other means. It is only as an instrument of purifying and correcting the currency, that it deserves the consideration of a practical statesman. The great object is not to amass specie in the public treasury, or in the vaults of banks, but to diffuse its healthful currents through the business of society, and to bring it into active circulation among the people. This can only be effected by the previous suppression of the small notes; and any attempt by the Government, *before that is done*, to collect its revenues in specie, instead of promoting and extending the circulation of gold and silver, tends directly to narrow and diminish their circulation.

The indiscriminate refusal of bank paper in payment of the public dues might, in the present condition of the country, be attended with other serious hazards. We have heard a great deal recently, Mr. President, of the pecuniary panic and distress prevailing in England and Ireland, and of the extensive commercial embarrassments felt there. These embarrassments, (in Ireland, especially,) seem to have arisen mainly from this very circumstance of a refusal to receive the paper of solvent banks in collections of the public revenue. It appears that some of the collectors of the customs had arbitrarily refused the bills of the Provincial Bank of Ireland. Thereupon, a run upon the bank immediately commenced, which, nevertheless, weathered the storm. The panic spread in regard to other institutions, which, though solvent, were compelled to stop payment; and a general scene of confusion, alarm, and embarrassment ensued. But I will give the details in an extract from an English paper, which has been republished extensively in all of our principal journals. Here it is:

"The pressure was yet severe, not only throughout England, but in Ireland. In the latter country there had been a panic, attended by several severe commercial disasters. This panic was commenced by the collectors of the customs at Newry, and some other places, refusing the bills of the Provincial Bank of Ireland. A run upon the bank was the inevitable and immediate consequence. *The solvency of the bank, however, had never been questioned, and was finally attested by the result.* The panic spread in respect to other institutions, and the Dublin Agricultural Bank stopped payment on the 15th. Strong efforts were made by its friends to sustain it. One gentleman, Mr. Gresham, sent in 25,000*l.* The liabilities of the bank are stated at 240,000*l.*; its assets at 680,000*l.*

"This bank was established in 1834, by 2,170 partners. It now has 5,000 partners, and *twenty six branches* scattered all over the country, *all of which stop of course. But, notwithstanding the solvency of the institution, its suspension will operate fearful injury.*"

All this pecuniary suffering and distress, widely ramified as it afterwards became, originated in the refusal, by officers of the Government, to receive the notes of a solvent bank in payment of the public revenue. If, Mr. President, we shall, by a sweeping law, refuse to receive the paper of all banks, however sound, in discharge of the public dues, will there not be danger of similar consequences? Might it not operate, to a certain extent, as a discredit of all bank paper, exposing the institutions which issue it to severe runs, and the community at large to consequential pressure and embarrassment? At all events, there would be heavy demands upon the banks for the specie requisite in payments to the Government, which the limited metallic circulation of the country would be wholly inadequate to supply. Would it be just or wise in the Government, in the present condition of the currency, with a Shylock severity to demand its pound of flesh? Would not such a course tend to produce, instead of averting, the catastrophe which appears to be dreaded by some?

I should be as little disposed, Mr. President, as any member of this body, to hazard the safety of the public revenue by any undue laxity in regard to its collection. The proposition I have had the honor to submit provides studiously for the security of the revenue. It not only does not allow the notes of any banks to be received, but such as are promptly redeemed in specie—subject, too, to important restrictions in regard to their denominations—but it expressly declares that no notes whatever shall be received which the banks in which they are to be deposited shall not agree to pass at once to the credit of the United States as *cash*. This guaranty of the deposite banks converts the whole of the public collections, virtually, into specie; and when it is recollected that the Secretary of the Treasury is impowered, whenever he thinks it necessary, to obtain from them a special and supplementary security for the public deposites, the solidity of the guaranty may be reposed upon with confidence.

It is objected to this provision, by some gentlemen, that it puts it in the power of the deposite banks to say what notes shall, and what shall not, be received by the Government in payment of its revenues. The absolute responsibility of the deposite banks for the notes deposited with them on public account is deemed a fundamental principle in the fiscal code of the Government; without it, the practice of *special deposites* must be revived, which formerly subjected the Government to heavy losses, and is the origin of the *unavailable funds* still borne on the books of the Treasury. But if the deposite banks are to be absolutely responsible for the notes deposited with them, as so much *cash*, they ought certainly to have a reasonable discretion as to the notes they shall receive on deposite. This is no new principle in the practice of the Government; it has been a standing instruction from the Treasury Department to the public receivers and collectors, for more than twenty years, to receive no notes but such as the deposite banks would credit to the United States as cash. To satisfy, however, as far as possible, the jealousy which has been expressed on this subject, and to guard against any arbitrary or wanton abuse of their discretion by the deposite banks, I have, by a modification of my original resolution, placed them, in this regard, expressly under the supervision and control of the Secretary of the Treasury.

While the proposition I have had the honor to submit provides, as I believe, in the amplest manner, for the security of the public revenue, it pays a due regard to the interests of the great body of the community. An inflexible exaction of gold and silver in payments to the Government, in the present condition of the circulating medium, it seemed to me, would involve a necessary and serious derangement to the whole business and commerce of the country. These interests I believe to be more or less common to all. I am not one of those who see a natural enmity and inherent incompatibility between the interests of different classes of men; I do not belong to that school of philosophy which divides society horizontally, the upper portion pressing upon the lower with the weight of its incumbent mass, while the latter is constantly striving to throw off the load by violent and vindictive struggles. This is the *bellum omnium in omnia* which forms no part either of my philosophy or my feelings. No, sir; my theory assigns a perpendicular stratification to society, placing all its component parts side by side on the same platform of equality, with common rights, common interests, and common duties, mutually giving and receiving support by their juxtaposition. In this aspect, the interests of the merchant, the farmer, the mechanic, the laborer, are the same; what promotes the prosperity of one, redounds to the advantage of each.

In regard to the effect upon the currency, the proposition I have had the honor to submit, if adopted, would prove in some degree instrumental, I trust, in promoting that great reform which has been so impressively recommended by the patriotic Chief Magistrate of the nation, and which, at the moment when he is about to close a long and glorious career of public service, in a hallowed retirement, "by all a nation's wishes blest," may well form the object of his ardent vows for his country. That reform seeks, by the substitution of gold and silver in place of the lower denominations of bank paper, to make the precious metals the familiar currency of common life. But this object can be fully accomplished only by the ultimate suppression of all notes under twenty dollars; five-dollar notes and half eagles will not circulate together; the ten-dollar note must be put down, before the eagle can take its place.

I am aware, Mr. President, that our position is not exempt from difficulties and dangers. But I see in them nothing to create alarm, far less to excite despondency; but every thing to rouse the devotion and energy of the patriot. With whatever embarrassments we may be beset, there is a redeeming power in the virtue and intelligence of the American people, which will conduct us in safety and triumph through them all. Some gentlemen, I find, still fondly recur to their favorite prescription of a national bank as the panacea for all our ills. In my humble judgment, sir, the remedy is far worse than the disease. The protection of a national bank would be "such protection as vultures give to lambs." No, sir; let us rather invoke the protection of our guardian and victorious bird, the American eagle, the emblem of our freedom and strength. An able and experienced member of the House of Commons, speaking of the inherent tendencies of the banking system, said, "there is in it an inevitable tendency to over-issues of paper, without a constant *sentinel* keeping watch upon it, and that *sentinel*" (for them) "was the metallic *sovereign* in constant circulation." The American metallic eagle, in active circulation, will perform the same tutelary office for us; and with such other provisions as the practical and sagacious spirit of American legislation shall devise, will finally, I firmly believe, place our currency on a footing which, for convenience and security united, will rival any other under the sun.

Let the State Legislatures proceed firmly and vigorously in the suppression of the small notes. I believe they will. They have the highest motives which can address themselves to human action to accomplish this great reform. Let them subject all banks, both old and new, to efficient regulation; let them regard with jealousy every proposition for an increase of banks, and yield to none which is not founded on broad considerations of public utility; let them impose strict, practical limitations both upon their issues and their discounts; let them provide for frequent periodical scrutinies into their condition; and, above all, let them retain in their own hands a constant power of correcting abuses, and of protecting, in every emergency, the interests of the community.

It is this principle of legislative regulation and control over banking institutions, which constitutes the distinctive feature of American policy. It is the result of the practical character of the American mind; and I am happy to perceive that the people of older countries—of England especially—are turning to us for lessons and examples in this branch of the public economy. In that country, beyond the 65 miles from London, which define the limits of the Bank of England monopoly, numerous broods of joint-stock companies and private bankers have sprung up, without regulation by law, without limitation of number, without restriction as to their issues or discounts, and without responsibility to the public authority. The consequence has been, that this branch of their system has run into wild disorder and confusion. They now see that the privilege of issuing money, of whatever kind, is an essential branch of the public sovereignty, and, like every other delegated power of that sort, it must be subjected to regulation, to inspection, to responsibility. This is a lesson they have learned from us; and it is gratifying to see that, on another fundamental point, the most enlightened minds in that country are coming to the same conclusion that we have attained. They begin to see that the monopoly of the Bank of England, as that of the Bank of the United States here, is a *dangerous* monopoly; that the dominion of such an institution over the circulation is a power more of evil than good; and that it must be brought down to the level of competition with other solid institutions. The opinions of the two countries, on this great concern of the currency, are mutually approximating, and settling down upon a common system. They are learning from us the necessary checks and controls of a paper currency; we from them, I trust, the value and importance of an enlarged metallic circulation. I repeat, then, there is nothing in our present situation to excite alarm or despondency, whatever occasion there may be for vigilance and caution. Let us look our dangers steadily in the face, but let us not be dismayed by them. Let us grapple with the difficulties which may oppose us, in a spirit of strenuous and determined patriotism, and we shall triumph over and subdue them. In conclusion, let me say to the political friends, with whom I have had the honor to act in trying times, that, after having successfully dissipated so many panics raised under other auspices, we shall not, I trust, at last become the victims of a panic of our own creation.